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Romanian wheat exports are flourishing

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Grain and Feed

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Report Highlights:

Romania is strengthening its position as a grain producer and as a leading exporter among EU member states for wheat and corn. The winter wheat and barley crops have good prospects, but production is anticipated to fall in 2017 due to lower planted area. Wheat exports are set to reach a record this season, but are projected to decline the next season. The corn harvest is foreseen to slightly improve. Soil moisture improved in most of the areas, which will help spring plant emergence and development. This report does not reflect the potential effects of the unusual weather conditions during the second half of April on crops. Note: This report is to be read in conjunction with the [Annual 2017 EU28 Consolidated Report on Grains](#) and provides further information on Romanian market of grains.

General Information:

Romanian grain planted area covers annually between 5.2 and 5.5 million hectares (HA), depending on the variation of oilseed area. Wheat and corn are the main grain crops, covering in total about 85 percent of the total grain area.

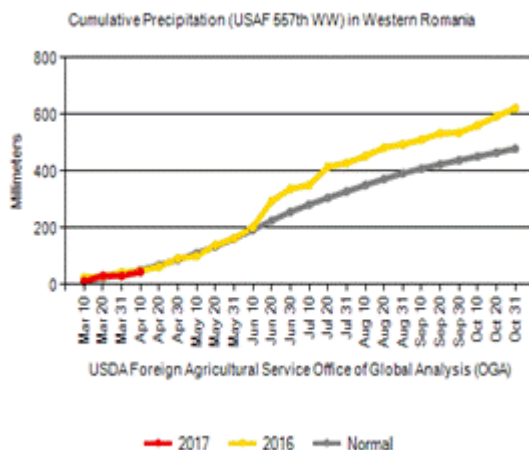
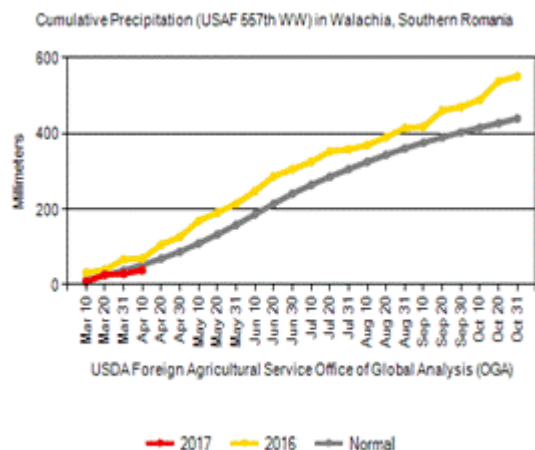
Romanian grain production is forecast to fall in MY 2017/18 by 1.8 percent, based on fall planting conditions and the current crop status. Wheat and barley crops look good, but it is unlikely the crops will perform at the exceptional level they did in the previous season. The modest increase in corn production, where the conditions for a normal year are assumed, is unlikely to offset the reduction for the other two main crops. Total grain exports are projected to fall by 0.91 percent in MY 2017/18.

Total grain production increased in Marketing Year (MY) 2016/17 by 8.3 percent due to favorable planting for winter grain and favorable weather conditions over the course of development. Grain exports grew by an estimated 6.5 percent in MY 2016/17, mainly due to wheat and corn crops that expanded by 14 percent each, in the context of poor yields in western EU countries.

The number of Romanian farmers aiming to increase competitiveness through reducing production costs is growing as farmers' knowledge in regard to high-quality seeds availability, modern plant protection products, and new concepts, such as precision agriculture, become more accessible. Farms continue to invest in newer agricultural equipment and machinery, to the extent possible utilizing EU funds, so the level of endowment has risen every year. Nevertheless, the purchasing rhythm is half below the one required so that equipment can have a larger impact on yields.

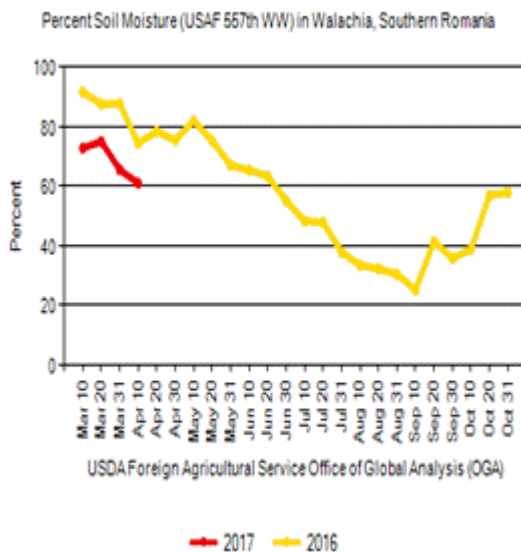
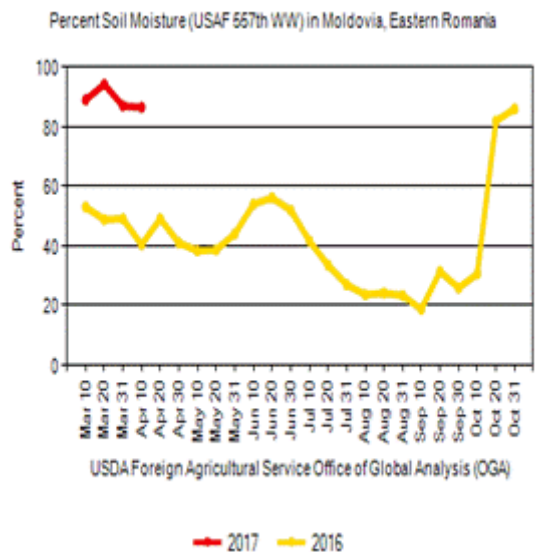
On production cost structure, lower fertilizer prices and relatively constant prices for pesticides offset lease costs, which increased by 10-20 percent compared to the previous year. The same upward trend is observed for agricultural land prices as availability of agricultural land for sale continues to shrink.

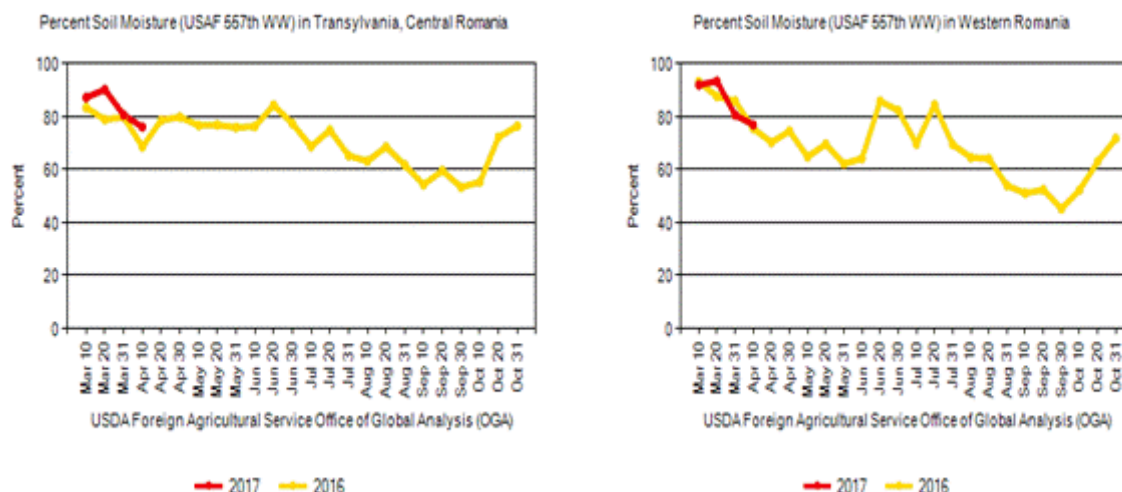
Concerning weather conditions, dryness was alleviated over the past few months in some areas, but water deficit persists in other regions. Cumulative precipitation, as depicted below, shows that during March 10 –April 10 2017, precipitation levels in southern and western Romania remained slightly below or at the same level as in 2016, but above the previous year's level in the northeastern side of Romania, one of the regions constantly affected by lack of rain.



Source: USDA/PECAD

As a result of rainfall over the past weeks, soil moisture improved in the eastern and central regions, but remained below the previous year's level in the southern region, which is the most favorable area for agriculture.





Source: USDA/PECAD

As dryness and above normal temperatures tend to become constant factors influencing crops, the existence of a functional and efficient irrigation system is crucial. In Romania the irrigation system is operational on 800,000 hectares, less than 10 percent of the total arable land. In regions where irrigation is available, high water and energy prices prevent farmers from using it. Hence the current Romanian Government is considering investing in the irrigation infrastructure during 2017-2020. The plan is to revamp and expand the irrigation system up to 2 million HA by 2020 from the current area of less than 200,000 hectares irrigated every year.

Wheat – good prospects and record exports

The area sown with winter wheat in the fall of 2016 fell by approximately 120,000 hectares (HA) up to 1.95 million HA. The reduction is due to the difficulties farmers faced in planting during the most favorable timeframe because of either lack of rain or high moisture. Later on, even the regions where wheat was planted on time experienced uneven emergence and a poor appearance, reducing potential for excellent crops as harvested the previous year. Spring wheat only covers a very small share of total wheat area, so in general it cannot compensate for a wheat reduction in the fall. Overall wheat is reported predominantly good at the end of the winter, but in a poorer state compared to last year, hence yields are forecast slightly lower.

FAS Bucharest pegs wheat production at 7.8 million MT in MY 2017/18, which is 8 percent less than the record harvested last year. A lower output is reflected into a 9 percent lower year-on-year export figure. Romania exports the large majority of wheat outside the European Union, mainly to North Africa and Middle East. Feed consumption is predicted to marginally increase to the extent to which feed-compound producers will find wheat more competitive than corn. Food consumption is to remain relatively stable in absence of factors that may change demand.

Wheat production in MY 2016/17 exceeded market expectations, confirming the excellent planting conditions and the relatively good moisture level during the crop development. Wheat production

increased by 5 percent compared to the previous estimate and 7 percent as compared to the previous season. Wheat's strong competitiveness in relation with corn favored more wheat utilization in the animal feed ratio, leading to higher feed consumption. The table 1 below provides wheat production, trade and consumption (food, seeds, industrial, feed) figures for the past four MY years.

Romania is climbing in the hierarchy of EU wheat exporters. The export pace after the harvesting was very brisk, stimulated by the gap left in the market by the traditional EU wheat exporters, such as France, which harvested a drastically lower wheat quantity. During the first five months of MY 2016/17 Romanian exports expanded by 111 percent compared to the level recorded during the same timeframe of last year. In total, wheat exports reached 3.8 million MT versus 1.8 million MT during the first five months of the MY. Almost 80 percent of this volume consisted of exports outside the European Union. The notable buyer was Vietnam with 838,000 MT, more than double that of Egypt, the traditional market, which ranked second with 411,000 MT. The drop in wheat exports to Egypt may be attributed to unclear import requirements that generated uncertainty in that market. The "zero-tolerance" ergot requirements adopted by the Egyptian General Authority for Supply Commodities (GASC) reduced grain traders' willingness to take the risks of having their shipments rejected. Consequently, wheat exports to Egypt fell to half of the volume shipped in the previous year.

Jordan followed Egypt with 285,000 MT, then Libya, and Djibouti (please see the Appendix for more details). Overall, FAS Bucharest estimates that the total wheat export volume will exceed 5.5 million MT, a boost of 14 percent year-on-year.

Another notable development is the wheat flour exports. In MY 2015/16 wheat flour exports grew five times, especially to Africa and Middle East destinations, from 15,000 MT to 83,000 MT. Millers are confident that this season wheat flour exports will continue to flourish and will more than double in MY 2016/17.

Table 1 - Romania, Wheat Production, Trade, Consumption

Romania	2014/15	2015/16	2016/17 (e)	2017/18 (f)
Marketing Year (MY) Begin	July, 2014	July, 2015	July, 2016	July, 2017
Area (000) HA	2,109	2,106	2,070	1,950
Production (000) MT	7,700	7,962	8,500	7,800
MY Imports (000) MT	896	1,094	1,260	1,260
MY Exports (000) MT	4,896	4,832	5,500	5,000
Total Consumption (000) MT	3,780	4,130	4,060	4,100

Source: National Institute of Statistics, Global Trade Atlas, FAS estimate

CORN – early planting, good development prospects

The area planted with corn in MY 2017/18 is anticipated to increase by 2.4 percent this spring. Given corn's sensitivity to insect attacks, derogation to use neonicotinoid pesticides remains an important factor in planting decisions. As neonicotinoids remain prohibited EU-wide, Romanian farmers appealed again to the Ministry of Agriculture for approving another derogation for neonicotinoid

utilization for corn and sunflower. Following notification to the EU, the Ministry of Agriculture granted the derogation in the beginning of February. In the farmers' opinion, such a derogation is crucial for sustaining farmers' efforts in fighting insect attacks, while bee keepers oppose such a measure claiming they suffered massive bee colony depopulation as a result of these pesticides' utilization.

The Romanian seed industry covers largely corn seeds demand, with only a small percentage representing imported seeds, mainly sourced from France and Hungary. According to the seed industry, the area estimated to be cultivated with certified seeds is 1.5 – 1.6 million hectares, about 60 percent of the total corn area of 2.5 – 2.6 million hectares. The rest, nearly 40 percent, is still cultivated with saved seeds, a feature that suppresses the average yields in Romania. The share of non-certified seeds varies by region and farm size, being above average in the center, southwest, and northeast, where the average farm size is smaller, but below average in the south, southeast and west.

Hot temperatures and dry conditions affected corn yields for the past two years, so farmers seek strategies to keep the soil moisture as long as possible. This year farmers started corn planting earlier than usual hoping that in a more advanced state, plants will cope better with potential heat and drought conditions. Under the assumption of a normal year with more favorable climatic summer conditions, corn yields are projected to improve as compared to the previous season. FAS Bucharest anticipates that corn production will reach 10.5 million MT, which is a boost of 6 percent as compared to the previous year, but below the record 11.6 million MT year achieved in 2014. Higher production will translate into an 11 percent higher corn export figure (4 million MT), almost equally distributed among EU and non-EU countries.

Corn utilization for food purposes remains the same, but feed consumption is expected to grow due to positive prospects for poultry and swine production. Stocks will gradually replenish.

As mentioned above in MY 2016/17 weather conditions significantly affected the corn crop. Heat waves affected the pollination process reducing yields, although to a lesser extent than previously expected. Corn yields were poorer in the south and northeast regions, but excellent in western regions. Similar to the previous year, corn harvesting started earlier than usual, overlapping with sunflower crop harvesting. In other regions, such as the west, the harvesting process finished late because of continuous rainfall.

According to the latest statistical information, total corn production reached 10 million MT in MY 2016/17, about 11 percent higher than the previous season. Corn export volume is projected to reach 3.5 million MT. Trade data available for October – November 2016 show an increase of 46 percent in total exports (please see Appendix). Higher exports to Egypt (226,000 MT), Spain (236,000 MT), Ireland (83,000 MT), Portugal (114,000 MT), France (44,000 MT), Iran (51,000 MT), Vietnam (75,000 MT) and Syria (33,000 MT) offset the reductions in exports to traditional Romanian trading partners, such as the Netherlands, Lebanon, Turkey, Israel. Romanian (presumably) organic corn exports to the United States during MY 2015/16 reached 36,700 MT.

Animal feed use is predicted to decline in response to wheat competitiveness. The table below provides corn production, trade and consumption (food, seeds, industrial, feed) figures for the past four MY years.

Table 2 - Romania, Corn Production, Trade, Consumption

Romania	2014/15	2015/16	2016/17 (e)	2017/18 (f)
Marketing Year (MY) Begin	October, 2014	October, 2015	October, 2016	October, 2017
Area (000) HA	2,550	2,625	2,470	2,530
Production(000) MT	11,600	9,000	10,000	10,500
MY Imports(000) MT	1,756	400	465	315
MY Exports(000) MT	6,100	3,079	3,500	3,900
Total Consumption(000) MT	7,365	6,715	6,747	6,868

Source: National Institute of Statistics, Global Trade Atlas, FAS estimates

Barley – exports down in response to stronger competition and sluggish demand

Barley area, similar to wheat, is forecast to decline due to unfavorable planting conditions in the fall and due to rapeseeds area expansion in MY 2017/18. The two-row barley to be sown in the spring will partially compensate for the decrease for winter barley in the fall. Overall barley area is projected to decline by nearly 8 percent.

Farmers report the winter barley crop as being in good health, but poorer conditions at planting are foreseen to reflect into reduced yields. Based on the current crop state and the lower area, barley production is estimated to reach 1.65 million MT, 8 percent lower as compared to the previous year. Barley production continues to be mainly driven by export demand, only less than a quarter of the harvest being utilized domestically.

In MY 2016/17 Romanian farmers harvested an estimated 1.8 million MT of barley, which was 3 percent more than in the previous year. Weaker demand in Middle East countries, increased competition from Black Sea countries, and a record barley crop in Australia kept prices depressed and slowed down barley exports from Romania. Exports dropped by 46 percent in the first part of the marketing year when compared to the previous record year. Overall, exports are projected to drop by 22 percent in response to weaker demand. Trade data available for the five months of the MY 2016/17 indicate that Saudi Arabia remains a strong market for Romanian origin barley (305,000 MT), followed by Libya (81,000 MT), Jordan (52,000 MT), Spain (45,000 MT), Algeria (35,000 MT), and Tunisia (28,000 MT). More details on export volumes and destinations are presented in the Appendix.

Table 3 - Romania, Barley Production, Trade, Consumption

Romania	2014/15	2015/16	2016/17 (e)	2017/18 (f)
Marketing Year (MY) Begin	July, 2014	July, 2015	July, 2016	July, 2017
Area(000) HA	512	470	500	460
Production(000) MT	1,800	1,750	1,800	1,650
MY Imports (000) MT	184	529	275	275
MY Exports (000) MT	1,709	1,994	1,550	1,550

Total Consumption (000) MT	375	305	406	380
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Source: National Institute of Statistics, Global Trade Atlas, FAS estimates

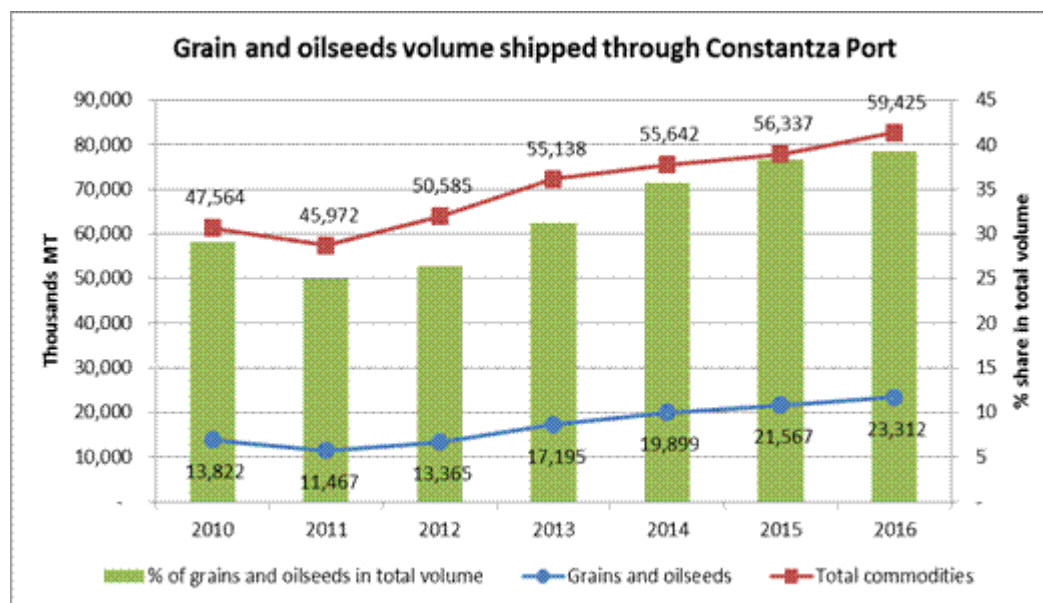
Minor crops

The area planted with minor crops is anticipated to slightly increase. Oats are predicted to cover in MY 2017/18 around 150,000 HA, rye 12,000 HA, mixed grains (mostly triticale) 86,000 HA, rice 10,000 HA, while sorghum is expected to continue declining to 13,000 HA. Given the small volumes, these crops are traded internationally only occasionally.

Grain transportation

Constanta Port is the main gate for not only grains and oilseeds originated in Romania, but also in neighboring Bulgaria, Hungary, and Serbia. Storage capacity in Constanta Port is continuously expanding. Current grain storage capacity is estimated at 1– 1.5 million MT, but in the context of positive prospects for agricultural commodities in Romania and the region, several international grain players plan to develop new capacities or upgrade existing ones.

Over time grains share of the total commodities' volume shipped through Constanta Port has grown. According to data published recently by Constanta Port Authority, grain and oilseed volume shipped through the port increased in 2016 by 8 percent, their share in total commodities rising 1 percentage point (from 38 percent in 2015 to 39 percent in 2016) (please see the graph below).



Source: Constanta Port Administration

Unlike Constanta Port where earlier private investments produce results, investments in Romania's road and railway infrastructure stagnate. Higher oilseeds and grains volume will put additional pressure on the existing weak road and rail infrastructure. The main reason for this weakness is the delay in launching public tenders for the infrastructure projects funded from the European Union (EU).

Additionally, railway transportation is increasingly becoming more efficient as compared to roads as rail delivers larger grain volumes the port. The loading equipment installed in more railway stations make the grain loading faster, but railway infrastructure remains old and precarious, generating delays and unnecessary costs for traders. At the same time, Danube river transportation gains additional share of the transportation pie at the expense of road transportation, despite temporary issues encountered by grain operators when the Danube River becomes non- navigable.

Appendix - Trade Tables

Romania Export Statistics - Wheat

Commodity: 1001, Wheat And Meslin							
Year Ending June: 2014 - 2016, Year To Date: 07/15 - 11/15 & 07/16 - 11/16							
Partner Country	Unit	Year			Year To Date		
		2014	2015	2016	07/15 - 11/15	07/16 - 11/16	%Change
World, of which	T	5,005,970	4,875,842	4,719,757	1,810,815	3,832,909	111.67
Egypt	T	1,947,958	1,489,812	1,258,183	540,562	411,431	-23.89
Jordan	T	140,596	654,708	771,969	276,042	285,144	3.3
Ethiopia	T	46,686	98,163	433,081	-	114,143	n/a
Spain	T	161,498	337,787	391,225	332,057	273,328	-17.69
Libya	T	409,289	247,605	258,852	11,000	180,593	1541.75
Djibouti	T	-	181,841	198,306	44,000	136,893	211.12
Italy	T	194,291	202,384	166,948	120,048	179,580	49.59
Sudan	T	-	195,750	157,083	-	136,873	n/a
Israel	T	88,115	163,027	152,387	8,972	37,858	321.96
Tunisia	T	240,244	174,675	113,996	62,566	81,673	30.54
Greece	T	110,358	87,943	110,148	62,349	92,387	48.18
Vietnam	T	49,437	105,488	62,613	62,613	838,201	1,239
Syria	T	209,224	27,500	57,934	-	-	n/a
Yemen	T	-	-	56,365	-	5,219	n/a
Thailand	T	-	-	55,650	46,060	-	(100)
Indonesia	T	-	54,497	55,000	-	70,655	n/a
France	T	22,212	28,602	46,413	33,189	87,629	164
Nigeria	T	22,000	27,403	45,469	-	44	n/a
United Kingdom	T	30,267	22,089	44,904	37,607	5,029	(87)
Netherlands	T	22,312	55,302	39,316	39,105	92,521	137
United Arab Emirates	T	-	-	35,772	35,772	175,726	391
Algeria	T	-	-	31,500	31,500	-	(100)
Korea, South	T	607,910	80,533	26,250	-	73,251	n/a
Others	T	703,577	640,734	150,393	67,373	554,735	723

Source: Global Trade Atlas

Romania Export Statistics – Corn

Commodity: 1005, Corn							
Year Ending June: 2014 - 2016, Year To Date: 10/15 - 11/15 & 10/16 - 11/16							
Partner Country	Unit	Year			Year To Date		
		2014	2015	2016	10/15 - 11/15	10/16 - 11/16	%Change

World, of which	T	3,484,257	6,073,392	3,079,137	841,632	1,226,326	46
Spain	T	229,364	1,047,956	587,580	190,684	236,532	24
Italy	T	398,849	410,963	334,893	127,744	64,136	(50)
Netherlands	T	555,242	784,519	307,620	136,739	99,361	(27)
Lebanon	T	128,226	158,540	206,815	42,630	32,681	(23)
Turkey	T	209,644	652,975	202,072	45,997	27,059	(41)
Egypt	T	311,834	466,160	172,874	5,000	226,100	4,422
Iraq	T	-	-	154,968	29,925	-	(100)
Belgium	T	47,250	129,595	132,998	32,593	34,850	7
Ireland	T	34,718	131,632	99,609	29,940	83,382	179
Greece	T	89,918	146,266	96,381	29,137	19,056	(35)
Portugal	T	126,771	271,668	88,503	37,143	114,631	209
Israel	T	157,853	191,323	80,736	24,534	8,400	(66)
Cyprus	T	36,535	69,758	73,630	20,208	22,921	13
Libya	T	66,352	143,177	56,918	3,350	17,867	433
Syria	T	88,742	95,947	25,278	5,042	33,512	565
Tunisia	T	51,747	94,315	16,700	-	16,398	n/a
France	T	36,971	35,579	21,602	13,040	43,874	236
Iran	T	43,932	251,072	-	-	50,668	n/a
Vietnam	T	-	-	-	-	75,440	n/a
Others		870,308	991,951	419,961	67,926	94,901	(520)

Source: Global Trade Atlas

Romania Export Statistics - Barley

Commodity: 1003, Barley							
Year Ending June: 2014 - 2016, Year To Date: 07/15 - 11/15 & 07/16 - 11/16							
Partner Country	Unit	Year			Year To Date		
		2014	2015	2016	07/15 - 11/15	07/16 - 11/16	% Change
World, of which	T	1,055,218	1,709,005	1,993,762	1,271,238	675,887	-46.83
Saudi Arabia	T	751,624	540,605	873,208	568,463	305,642	-46.23
Jordan	T	88,334	364,283	277,716	121,330	52,500	-56.73
Libya	T	12,400	152,102	258,749	135,057	81,285	-39.81
Japan	T	-	63,581	130,545	130,545	7,592	-94.18
Tunisia	T	79,406	105,788	102,176	79,676	27,500	-65.49
Israel	T	-	41,460	78,188	30,135	29,434	-2.33
Algeria	T	-	88,930	68,567	68,567	35,023	-48.92
United Arab Emirates	T	-	30,000	56,016	56,016	-	-100
Cyprus	T	30,760	36,101	38,061	3,450	20,852	504.42
Iran	T	-	-	27,500	27,500	-	-100
Spain	T	-	-	27,323	27,323	45,809	67.66
Greece	T	25,691	4,055	27,283	3,195	29,766	831.74
Others	T	67,003	282,102	28,430	19,980	40,486	-179.72

Source: Global Trade Atlas

End of report.

